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Saddam's secret money-laundering trail

By Lucy Komisar

UNITED PRESS INTERNATIONAL

New York, NY, Jun. 2 (UPI) -- A detailed analysis of Saddam Hussein's secret money-laundering techniques shows here for the first time how he used the same offshore money launderers as Osama bin Laden. That covert money network, based in the tax havens of Switzerland, Liechtenstein, Panama and Nassau, helped bankroll the war machines of both Iraq and al-Qaida.

More than 1,000 pages of confidential corporate, bank and legal documents show how the network functioned. The papers come from court cases filed in several European countries, from corporate records, from investigations by Italian police, from a report of the Kroll international investigative agency, and from private sources. The documents are the basis of further investigations coordinated in Europe by the prosecutor of Milan.

They show, for example, that a father-and-son team in Liechtenstein, whose business is setting up shell companies and secret bank accounts, worked to move the money of both Saddam and al-Qaida. Engelbert Schreiber and his son Englebert Schreiber Jr. are listed as founder or board member of Mediterranean Enterprises Development Projects; Tradex; Techno Service Intl.;

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Saidomin; and Executive Flight Assistance, all Liechtenstein companies that handled arms sales and payoffs for Saddam. They are also listed on corporate documents for Nasreddin International Group Ltd Holding (Liechtenstein). Ahmed Idriss Nasreddin, on the U.S. terrorist blacklist, was a founder of Al Taqwa, the bank that moved money for al-Qaida and which was closed down by the United States after 9/11. The Schreibers declined to respond to numerous requests for comment.

One of the men linked in documents to several Panama shell companies used in the Saddam laundering network was Baudoin Dunand, a Swiss lawyer who is administrator of the Saudi Investment Company (SICO), the Geneva investment affiliate of the Bin Laden family conglomerate, run by Osama bin Laden's half-brother Yeslam Binladen. (They spell their names differently.) Mr. Dunand declined to respond to repeated requests for comment.

The Banca del Gottardo in Lugano, Switzerland, moved al-Qaida money via the Al Taqwa bank, a shell bank that operated through correspondent accounts at the Gottardo branch in Nassau. It also handled payments for the Saddam money network. The bank's spokesman wrote, "Please be advised that we do not intend to make any comments or discuss any issues with you regarding the article you proposed in your e-mail."

Banque Paribas, headquartered in Paris, with a significant portion of shares owned by Saddam's cousin Nadhmi Auchi, moved money for the Al-Mahdi network in the 1980s and was the bank chosen to handle the Iraqi oil-for-food payments. In fact, Iraq insisted that Paribas handle the oil-for-food escrow account. A corporate document for Al Taqwa Trade, Property and Industry Co.

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Ltd. of Liechtenstein -- an al-Qaida network shell company also shut down by the United States -- lists Banque Paribas, Lugano, where it had accounts. (Paribas in 2000 merged with another French bank to create BNP Paribas, with Auchi continuing as one of the largest shareholders.)

Saddam Hussein began constructing his offshore operation in 1968 in Switzerland, aware that the country's bank secrecy made it a prime place to organize the movement of illicit funds and the purchase of arms. That year, 11 years before his coup, Saddam sent his half-brother Barzan Ibrahim Hasan Al-Tikriti to Geneva to construct the network to launder secret commissions charged on sales of Iraqi crude oil. The system would also be used for kickbacks on purchase from Western arms dealers. Liechtenstein, which Swiss bankers and money-managers often use to handle dubious clients, was used to ensure even more impenetrable secrecy: real names of company and account owners would be hidden from law enforcers.

The key Iraqis in the operation were Said Rahim Hussein Al-Mahdi and Nadhmi Auchi. Al-Mahdi was sent to Lugano because his father-in-law, Talaak El Naboulsi, an Egyptian soldier and member of the Muslim Brotherhood, was then working in Geneva for Barzan. (Barzan is now in U.S. custody.)

Al-Mahdi set up his system of secret companies and accounts with the assistance of the prominent asset managers (also known as trustees or fiduciaries) Elio Borradori in Lugano in the southern, Italian-speaking part of Switzerland, and Enrico Walser and Engelbert Schreiber, in Vaduz, Lichtenstein. He would also use managers in Panama, and the Bahamas. The same jurisdictions would be used to launder money in the oil-for-food sales in the 1990s.

Al-Mahdi established MEDP (Mediterranean Enterprise for Development and Projects), registered in Lugano, with subsidiaries -- generally just paper shells -- in New York (MEDP USA at 900 Third Ave., New York, incorporated in 1984), London, Paris, Milan, Vienna, Tokyo, Seoul, and Sao Paolo. Its subsidiary in Baghdad was chaired by Nazir Auchi, Nadhmi's brother. These shells in turn had shares of other companies that carried out the money laundering and arms purchases.

The offshore networks directed by the two men were crucial intermediaries for such weapons merchants as Messerschmitt-Bulkow-Blohm Helicopter and Military Aircraft Group /MBB (Germany), Thyssen Industries (Germany), Airbus (the consortium of French, German, Spanish and U.K companies), and Dassault (France), which used them to pay kickbacks and, after international embargos were established, to hide illegal sales.

For example, a 1982 bank transfer from the Nassau branch of the Banca del Gottardo in Lugano notes a credit to MEDP's "Satan" account of 33,000,000 French francs (about \$6 million) from Dassault International. On a trip to Paris in January 1985, Al-Mahdi signed a contract with Dassault International whereby the company was instructed to send payments to an account at the Indosuez Bank branch in Lugano.

Banca del Gottardo has a colorful history: it is the bank that moved the bribe and kickback money paid by a Swiss construction company to former Russian President Boris Yeltsin and his cronies in exchange for contracts to refurbish Kremlin buildings. In the 1970s, Gottardo was the Swiss subsidiary of Banco Ambrosiano, "the Vatican bank," which collapsed in 1982 in a \$1-billion fraud that involved money siphoned off to offshore shell companies and

accounts. Ambrosiano had laundered drug- and arms-trafficking money for the Italian and American mafias.

A 1983 document shows \$1 million transferred from the Gottardo Satan account to Hamid Al-Tikriti's account at the National Bank of Kuwait. The recipient -- Abid Hamid Mahmoud Al-Tikriti -- was Saddam's presidential secretary and cousin, arrested by the United States in June 2003. In 1981, half a million dollars had been sent by Gottardo to Hamid Al-Tikriti's Kuwaiti bank account.

Some Satan payments went to individuals in the United States. A December 1982 telex from MEDP Paris requests a transfer of \$200,000 from the Satan account to Jawdat T. Mansour and Rihad J. Mansour to their account at the 63rd (Street) and (El) Cajon (Blvd.) office of the San Diego Bank, 4690 63rd Street, San Diego, California.

Asked about the commission agreement, Dassault Vice-President Gérard David said by phone from Paris, "We don't know anything about it. Our president wasn't president then. It was 20 years ago. The law in France is that every 10 years we destroy the archives. We have nothing to say. It's not an answer, but it's the truth."

Al-Mahdi's network used Panama shell companies set up by Roger E. Watson, who had dual American-Panamanian citizenship. An official Panama document dated 1985 lists Watson as vice-president of a company called Radistal; the president was Giuseppe Poggioli, a Lugano financial consultant who acknowledged in an e-mail that al-Mahdi was his client. Watson and Poggioli were also officers of another Panama shell company, Dumynta. Poggioli said about Watson, "I think he was the Consul of Panama in Lugano, but I am not 100-percent sure. I have no more contact with

him since 1986 or 1987."

In 1985, Al-Mahdi was called back to Baghdad and imprisoned by Saddam, who suspected he was skimming funds, and he was beheaded in 1986. After Al-Mahdi's death, Saddam divided control of the network between the directors of the subsidiary companies of MEDP, Iraqi businessman Manhal Sheikh Kadir in London and the Lebanese Alfred Jawde in New York. Watson, who set up a residence in Como, Italy, replaced Borradori in 1987 as Saddam's financial consultant and managed Panama shell companies for the network via his L.R. European Company. Poggioli said that he, Poggioli, also left the operation. Kadir and Watson could not be located, and Jawde, sent the documents, declined to comment. Borradori was reached, but he is of advanced age and has difficulty communicating.

An Aug. 13, 1990 document signed by International Aircraft Leasing Ltd. and Erfel Anstalt, both shell companies registered in Liechtenstein, noted past "consulting agreements" with Airbus Industries, Blagnac, France, March 7, 1985, and with MBB, Munich, Feb. 19 and March 18, 1985; and a contract with Thyssen Industries AG, Essen, West Germany, Nov. 26, 1987. An Erfel record of that date sets out commissions from MBB and Thyssen totaling SF 720,000 (\$432,000).

The United Nations enacted comprehensive trade and weapons embargoes against Iraq in 1990. However, a 1991 Erfel document notes a \$255,875 -- 5 percent -- commission from Airbus and a \$45,247 -- 5 percent -- commission from Thyssen. And a 1991 balance sheet for IAL cites a debt of 1,455,000 German marks due to Thyssen Industries AG, Essen, with FF 3,812 earmarked for Kensington Anstalt, an Al-Mahdi shell company.

IAL prepared a chart that showed that from 1986 to 1991, it collected "commissions" of \$1,238,813 (Canadian) from MBB, \$10,827,000 (U.S.) from Airbus, \$3,900,000 (Canadian) from Thyssen, and DM 1,466,000 from Thyssen D.

Thyssen and Airbus, which now includes MBB, were sent the documents, but company officials declined to respond.

A confidential December 2001 report by Kroll, the international investigative agency, said that two Swiss companies, MEDP Corporation SA in Lugano and Midco Financial SA (in liquidation), were the holding companies that handled the money Saddam skimmed. It said, "Whilst in Geneva, Barzan was believed to have participated in financial schemes that included in the year 2000 the illegal sales of Iraqi petrol" and the purchase of weapons.

The unpublished report, authenticated by Kroll board chairman Jules Kroll, was commissioned by Kuwait after the Gulf War in an attempt to locate Iraqi assets it could claim as compensation. Jules Kroll explained, "In 1990 we were given the assignment and paid by the government of Kuwait." He said the goals were to identify Iraq's procurement network and to find assets outside that would be used to fuel the regime and buy weapons. The 2001 report was an update of the 1991 report."

Kroll investigators discovered that one of middlemen helping Saddam was Marc Rich, the U.S. tax-evader pardoned by President Clinton. Rich had been indicted by the United States in 1983 on charges he evaded more than \$48 million in taxes and illegally bought oil from Iran during the 1979 hostage crisis. He fled the United States and settled in Switzerland. Kroll said, "We came up with evidence that through Marc Rich's Spanish subsidiary, he was using some

Iranian cutouts -- specifically Bakhtiar, Iranians, whose family was close to Saddam -- he was using them to negotiate arrangements as it related to oil."

"The work was all turned over to OFAC (the Treasury Department's Office of Foreign Assets Control)," Kroll said. That means the Clinton administration knew about Rich's aid to Saddam.

The Kroll report also dealt with Nadhmi Auchi, reporting the Italian intelligence view that he was a "high-level Iraqi defense procurement and intelligence agent."

After Roger Watson in 1987 became Saddam's financial consultant, he also became an adviser to Auchi's International Company of Banking and Financial Participations (CIPAF). According to official Italian documents, Auchi used Panama to launder kickbacks for two contracts for the Iraqi military. An Italian parliamentary report in 1987 said that one of them, Dowal, set up by Watson, was used to collect \$23 million in hidden commissions on Baghdad's purchase of warships manufactured by the Italian shipyard, Cantieri Navali Riuniti.

In another case, the Operation "Clean Hands" (Mani Pulite) investigation in Italy revealed in 1993 that Auchi received about \$40 million in hidden commissions to facilitate approval of a Franco-Italian engineering project to construct a pipeline from Iraq to Saudi Arabia. Italian banker Pierfrancesco Pacini Battaglia declared to investigators that he had received instructions to transfer these commissions to accounts in Panama established in the names of Iraqi officials.

Auchi's spokesman condemned any allegations of wrongdoing as "outrageous."

The totals from skimmed oil revenues and

contract kickbacks from the late 1970s through the oil-for-food 90s have been estimated by U.S. officials to reach \$30 or \$40 billion.

Jules Kroll said that until 9/11, a few staff members at the Treasury's Office of Foreign Assets Control "were the only ones spending any energy on this issue in any organized way." He said, "The level of ignorance at the CIA was total, at the FBI it was beyond total. The law enforcement and intelligence community in the U.S. was behind the curve. It was of little interest to them," he said.

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(Investigative journalist Lucy Komisar is writing a book on the offshore bank and corporate secrecy system.)



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